



Sinclair Pharma plc

Interim Report
for the period ended
31 December 2007

Sinclair's goal

To become a sustainably profitable, growing, international pharmaceutical company with our own integrated European specialty salesforce.

Sinclair's strategy

- Acquire, develop and register late-stage, undervalued technologies to create new products with intellectual property (IP) protection.

- Buy-and-build approach to building integrated European sales operation.

- Extract full value from each of our brands by a combination of sales through own marketing operations and marketing partners.

- Launch Sinclair flagship products and maximise cross selling of products within our own operating companies.

Contents

Highlights	1	Notes to the Unaudited Condensed	
Chief Executive's Review	2	Consolidated Half-Yearly Financial	
Unaudited Consolidated Income Statement	7	Statement of Director's Responsibilities	12
Unaudited Consolidated Balance Sheet	8	Independent Review Report to Sinclair Pharma plc	19
Unaudited Consolidated Statement of Changes in Equity	9		
Unaudited Consolidated Cash Flow Statement	10		20

Highlights

Financial highlights

Revenues increased by 15% to £10.4m (H1 FY07: £9.1m).

Improved gross margin of 64% (H1 FY07: 63%).

Operating loss reduced £0.9m (H1 FY07: £2.6m loss).

EBITDA loss before exceptional items reduced to £1.6m (H1 FY07: £2.4m).

Loss per share reduced to 1.1p (H1 FY07: 3.1p loss per share).

Operating highlights

H1 saw a 15% increase in revenues despite delays in the US launch of Decapinol and flat sales of Atopiclair in the US. We have refocused the company to optimise the management of our marketing network as well as streamlining our own marketing operations in France, Italy and the UK. Line extensions and launches across operations in H1 have strengthened our portfolio of products. We continue to work with our US partner, Orapharma, on the new formulation of Decapinol.

There have been a number of new agreements signed with marketing partners in H1. These include the appointment of Dr Reddy's Laboratories, Inc. as Sebclair marketing partner in the US. We have seen 13 further product launches through marketing partners across Europe.

Pipeline advancement

Sinclair has acquired products from Derma Omnium and Syrio Pharma for the Group to sell through its own European sales operations and our partner network. There have been three new product registrations in the first half of the year and post period. Sinclair is also approaching completion of development of an anti-wrinkle product with clinical trial back-up, and a product for intensive treatment of infected gum pockets together with further product registrations anticipated in the EU and US.

“These figures demonstrate Sinclair’s continuing growth. We are committed to growing sales in line with expectations during the second half of the year, while keeping costs under control. We have already seen a strong start to the second half, with a record order book.”

Steve Harris

Chairman

Chief Executive's Review

The last six months has been a period of focus to allocate a greater proportion of our resource to sales, marketing and alliance management. We are continuing to increase our commercial focus in the second half of the year.

Revenues increased by 15% compared to H1 FY07. Sinclair has delivered consistent revenue growth since the IPO in 2003, which has been driven both by sales of our products through marketing partners, and contributions from our acquired sales & marketing companies. Historically our results have been biased towards H2 and we expect this to continue to be the case.

A further key focus is on Decapinol in the US. We are working with our US partner, Orapharma, on the new formulation and are intent on facilitating the US launch as early as possible.

Operations: Own sales and marketing operations

France

Sinclair's French sales & marketing operation has gone through a period of review and streamlining, culminating with the appointment of a new experienced Managing Director Christophe Foucher, in January 2008.

We launched three new line extensions of existing dermatology products. In November 2007 we also had a pre-launch of Sebclair.

In November 2007, Sinclair acquired a new range of products for skin dyspigmentation from Derma Omnium, the French pharmaceutical marketing company. This acquisition extends Sinclair's suite of products in this area and we expect to be able to add these products to our portfolio for sale in our other European territories with immediate effect, subject to launch scheduling.

Italy

Following last year's restructuring to focus on its core prescription dermatology products, our Italian business launched four new products in H1.

In December 2007, Sinclair also acquired a high quality portfolio of dermo-cosmetic products from the Italian company Syrio Pharma which further expanded the portfolio of dermatology products available for the Group.

In January 2008 we launched the acne product Papulex which was acquired as part of the CS Dermatologie acquisition.

UK

Since its acquisition in September 2006, this business has contributed significantly to Sinclair's sales & marketing presence in its home market.

In September 2007 we launched our atopic dermatitis product Atopiclair and the radiation dermatitis product Xclair.

Operations: Marketing partner network

Sinclair now has a marketing partner network that spans more than 80 countries including the main EU territories, the US, China, Russia and Latin America. Sinclair products have so far been launched in about half of these countries. In the remaining countries, our partners are in the registration process or preparing to launch, providing the foundation for additional revenue growth. We have now built a substantial network of commercial partners and a management structure to optimise revenues and drive the growth of sales through the network. The commercial partner network is managed by a dedicated team of 'alliance managers' based in the UK, responsible for ensuring the distributors meet their obligations under the agreements and supported by product managers responsible for generating and providing product related information and ensuring that it is available for our marketing partners.

We have a healthy order book for sales to marketing partners that is growing in line with expectations.

Our commercial partners now include Orapharma Inc., Dr Reddy's, Bayer's Intendis, 3M ESPE and Graceway Pharmaceuticals.

Since December we have further strengthened our network with several new agreements.

The Middle East is also proving to be a rapid growth market for some of our dermatology products with sales to this region of derma cosmetic products in particular growing strongly.

A list of all Sinclair's marketing partners can be found at the Sinclair website at:
http://www.sinclairpharma.com/business_development.php

Products

Atopiclair™

In December 2007, Atopiclair cream, for the treatment of atopic dermatitis, was launched by marketing partner Medisan in Hungary, and launched in Portugal by Intendis in January 2008. Four further Atopiclair launches are anticipated in H2.

We anticipate that for the full year Atopiclair revenues will be less than in FY 2007, which was boosted by milestone payments and stock building in several countries. In the US there has been a significant reduction in the atopic dermatitis market compared with the previous year. However our US partner Graceway has successfully maintained Atopiclair monthly sales levels whilst our key competitors – Elidel and Mimyx – have both seen a sales reduction of approximately 30%.

Patient satisfaction with Atopiclair remains high and we anticipate a further very positive clinical trial publication in a US journal on the use of Atopiclair in paediatric patients in this half year.

Sebclair™

Sebclair™ is for the treatment of seborrheic dermatitis. In September 2007, Dr Reddy's Laboratories, Inc. became exclusive Sebclair marketing partner in US. Under the agreement Sinclair will receive event related milestone payments. Upon commercialisation of the product, Sinclair will also receive royalty payments based on net sales. Dr Reddy's is focused on building a presence in dermatology in the US, a sector worth an estimated \$5bn annually.

Chief Executive's Review

We have launched Sebclair ourselves in Italy, and introduced the product in preparation for launch in France. With timing subject to re-imburement approval we anticipate launching Sebclair in the UK ourselves in this calendar year.

Decapinol®

Decapinol® is for the treatment and prevention of gum disease. As part of Sinclair's strategy to address the whole gum care market, a portfolio of products is being developed that include the Decapinol technology. Decapinol Spray offers a convenient alternative to the oral rinse presentation, and has been approved in the EU as a Medical Device Class IIa. Decapinol Toothpaste with fluoride and Decapinol Toothpaste gel with fluoride have also been approved in the EU.

Meanwhile, Sinclair is continuing to work with Orapharma on a revised formulation for the US market, and anticipates further launches of the Decapinol rinse, gel, toothpaste and spray within the EU in H2.

Aloclair®

In October 2007, marketing partner OMNI Preventive Care (a 3M ESPE Company), launched Aloclair (launched in US as brand name Ameseal) oral lesion relief spray. Aloclair® is for the treatment of mouth ulcers. Sales of our Aloclair gel product are also growing well in the US through Sunstar Butler. In about 20 countries in the long-term interests of the product we are renegotiating our distribution agreements for Aloclair and this has had an impact on H1 Aloclair revenues as distributors reduce their stock levels however we anticipate a significant increase in H2. We also anticipate launches of one or more of the Aloclair range in three more countries during H2.

Pipeline

SPHR980

SPHR980 Sinclair's pipeline product for head lice, was registered as a medical device in the EU in December 2007. This product is designed to meet a market need for a novel, safe and effective treatment for head lice. The OTC market for the five main EU territories and the US is worth an estimated £120m. SPHR980 uses proprietary barrier technology to coat and suffocate head lice and their eggs, killing them and making them easy to remove. Sinclair applied its expertise in topical and barrier formulations to develop SPHR980, entering a new therapeutic area for the company. The product can be sold without a prescription in the EU and we anticipate first revenues in the next financial year.

SPHR900

In January 2008, Sinclair announced the EU registration of its pipeline product SPHR900 for herpes simplex. SPHR900 is a proprietary topical treatment aimed at reducing the symptoms of herpes simplex cold sores and accelerating the healing process. The product is registered as Medical Device Class IIa and can be sold without a prescription in the EU. The OTC market for herpes simplex products in the UK, France and Germany is valued at £83m. In Spain and Italy, products for cold sores are commonly prescribed, opening up a new sector of the market for Sinclair in these regions. SPHR900 is an important addition to the company's product range and its commercialisation will contribute to our growing presence in the EU market.

SPHO220

In December, Sinclair announced EU registration of its pipeline product for symptom relief for teething infants, SPHO220. Sinclair is now free to sell the product in all EU territories. SPHO220 has been designed to meet a market need for symptom relief during teething, without the use of topical pharmacological agents in infants. SPHO220 builds on the proven, patented technology of Sinclair's existing mouth ulcer product, Aloclair. The market is currently dominated by gels that contain the topical anaesthetic lignocaine/lidocaine, or the analgesic choline salicylate. SPHO220 is free from these pharmacological agents. The formulation includes hyaluronic acid, which has demonstrated efficacy in maintaining the integrity of the oral mucosa (mouth lining) and providing barrier-based pain relieving qualities. SPHO220 is registered as a Class IIa medical device and can therefore be sold without a prescription in the EU. Sinclair plans to commercialise the product through marketing partners.

Clinical Update

In October 2007, Sinclair presented positive data at the World Congress of Dermatology on the following products: SPHD420 designed to treat acne; SPH911 for Corrective dermatology; Xclair to treat radiation dermatitis; SPHD400 Sinclair's pipeline psoriasis product and a poster on its atopic dermatitis study.

Further information can be found at: <http://www.sinclairpharma.com>

Financial Review

Revenue for the six months ended 31 December 2007 increased by 15% to £10.4m (2006: £9.1m). This comprised revenue from our own sales & marketing operations of £6.7m (2006: £6.4m), up 4%, and marketing partner revenue of £3.7m (2006: £2.7m), up 39%.

Revenue from our sales & marketing operations was helped by a full six month contribution from Ashbourne, acquired in September 2006, and by sales of our own products, including the first UK revenues from Atopicclair, launched by Ashbourne in September 2007. We anticipate a strong second half, boosted by contributions from the new product ranges acquired, and from synergies between these and our existing ranges.

Marketing partner revenues of £3.7m included the initial licence fee received from Dr Reddy's for Sebclair, and a 46% growth in product revenues from non flagship products.

Gross profit of £6.7m increased 16% from £5.8m in 2006. This equates to a margin of 64% compared to 63% last year and has been helped by licence fee and milestone income of £1.5m (2006: £0.4m).

Operating expenses excluding exceptional items increased by only 5% in the period to £9.1m, compared to 2006 (£8.7m), reflecting our focus on controlling costs while delivering increases in revenue and gross margin.

Exceptional net income was £1.6m for the period (2006: £0.3m). This include costs of £0.3m, as previously highlighted, associated with preparing for a major acquisition in July 2007 where Sinclair decided that the actual purchase price was not justified, and a £1.9m foreign exchange gain on the translation of the intra-group loan with Sinclair France resulting from the significant strengthening of the Euro during the last six months.

Chief Executive's Review

The operating loss of £0.9m is reduced from £2.6m in 2006. Operating losses excluding exceptional net income was £2.5m, reduced from an operating loss of £2.9m in 2006. The EBITDA loss before exceptional items for the period of £1.6m was reduced by 33% from the £2.4m recorded in 2006

Loss per share was 1.1p (2006: 3.1p), excluding exceptional items the loss per share was 3.0p (2006: 3.5p).

Management

A number of senior management appointments have been made in the last six months. Christophe Foucher appointed as Managing Director of Sinclair France to support its next period of operational growth. Jean-Charles Tshcudin appointed as Non-Executive Director, bringing considerable additional commercial expertise to the board.

Paul Phull promoted to Managing Director (Europe) & Executive VP to lead Sinclair's growth of European sales and marketing operations.

Zoe McDougall, Director of Communications, left the company to pursue other opportunities.

Outlook

Our aim is to build a profitable and growing international pharmaceutical company whilst avoiding the risks traditionally associated with research and development in our sector and to demonstrate the success of this model as soon as we can. After five years of building a portfolio of effective, patented products and establishing the means to sell these products in our home markets and some 80 plus export markets Sinclair is now in the process of demonstrating that it can execute and deliver profitable sales growth.

Our business development team now has an enlarged portfolio of fully developed and registered new products to be licensed which promises a continued momentum in signing agreements to build on growing revenues in those markets where our products have already been launched and more than 25 further launches anticipated during H2 through marketing partners and our own operations. Meanwhile our strong pipeline will provide further fuel for subsequent years.

During the last four years H2 revenues have been consistently greater than H1 and with a record order book we are confident that the same will apply this year.

The management and employees are focused on ensuring Sinclair delivers in line with its strategy and continues its progression to a profitable international pharma company.

Dr MJ Flynn

Chief Executive Officer

JAP Randall

Chief Financial Officer

Unaudited Consolidated Income Statement

		Six months ended 31 December 2007	Six months ended 31 December 2006	Year ended 30 June 2007
	Notes	£'000	£'000	£'000
Revenue	4	10,434	9,109	23,178
Cost of sales		(3,762)	(3,354)	(8,087)
Gross profit		6,672	5,755	15,091
Selling, marketing and distribution costs		(3,629)	(3,377)	(7,195)
Other administrative expenses		(3,906)	(4,944)	(11,842)
Analysed as:				
Other administrative expenses before exceptional items		(5,548)	(5,321)	(10,375)
Exceptional administrative expenses	5	1,642	377	(1,467)
		(3,906)	(4,944)	(11,842)
Total operating expenses		(7,535)	(8,321)	(19,037)
Operating loss		(863)	(2,566)	(3,946)
Finance income		32	68	95
Finance costs		(79)	(46)	(129)
Loss before income tax		(910)	(2,544)	(3,980)
Income tax expense		(22)	(172)	(226)
Loss for the period		(932)	(2,716)	(4,206)
Attributable to:				
Minority interest		-	3	2
Equity holders of the Company		(932)	(2,719)	(4,208)
		(932)	(2,716)	(4,206)
Loss per share (basic and diluted)	6	(1.1)p	(3.1)p	(4.8)p

The notes on pages 12 to 18 form an integral part of this condensed consolidated half-yearly financial information.

Unaudited Consolidated Balance Sheet

		31 December	31 December	30 June
		2007	2006	2007
	Notes	£'000	£'000	£'000
Non-current assets				
Goodwill	7	46,019	43,165	43,418
Intangible assets	8	13,387	8,882	10,042
Property, plant and equipment		1,843	2,052	1,976
Non-current tax assets		1,617	1,898	1,512
Other non-current assets		502	64	78
		63,368	56,061	57,026
Current assets				
Inventories		3,165	3,007	2,163
Trade and other receivables	9	6,982	6,199	7,800
Current tax receivables		50	–	22
Cash and cash equivalents		411	2,545	2,791
		10,608	11,751	12,776
Total assets		73,976	67,812	69,802
Current liabilities				
Financial liabilities – borrowings	11	(1,681)	(441)	(567)
Trade and other payables	10	(8,962)	(5,256)	(7,134)
Deferred income		(280)	(277)	(423)
Current tax liabilities		(22)	–	(66)
		(10,945)	(5,974)	(8,190)
Non-current liabilities				
Financial liabilities – borrowings	11	(1,639)	(419)	(709)
Non-current tax liabilities		(1,296)	(1,154)	(1,146)
Deferred income		(429)	(677)	(822)
Other non-current liabilities		–	(529)	(547)
Provisions		–	(116)	–
		(3,364)	(2,895)	(3,224)
Total liabilities		(14,309)	(8,869)	(11,414)
Net assets		59,667	58,943	58,388
Equity				
Share capital		935	934	935
Share premium account		21,472	21,433	21,472
Merger reserve		50,474	50,404	50,474
Other reserves		2,358	(418)	271
Retained deficit		(15,583)	(13,418)	(14,775)
Total shareholders' equity		59,656	58,935	58,377
Minority interests		11	8	11
Total equity		59,667	58,943	58,388

The notes on pages 12 to 18 form an integral part of this condensed consolidated half-yearly financial information.

Unaudited Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Merger reserve £'000	Other reserves £'000	Retained deficit £'000	holders of the parent to equity £'000	Minority interest £'000	Total equity £'000
Balance at 1 July 2006	933	21,386	50,404	749	(10,807)	62,665	5	62,670
Exchange differences arising on translation of overseas subsidiaries	–	–	–	(1,167)	–	(1,167)	–	(1,167)
Loss for the period	–	–	–	–	(2,719)	(2,719)	3	(2,716)
Total recognised expense for the period	–	–	–	(1,167)	(2,719)	(3,886)	3	(3,883)
Share based payments – value of employee services	–	–	–	–	108	108	–	108
Options and warrants exercised	1	47	–	–	–	48	–	48
Balance at 31 December 2006	934	21,433	50,404	(418)	(13,418)	58,935	8	58,943
Exchange differences arising on translation of overseas subsidiaries	–	–	–	689	–	689	–	689
Loss for the period	–	–	–	–	(1,489)	(1,489)	–	(1,489)
Total recognised (expense)/ income for the period	–	–	–	689	(1,489)	(800)	–	(800)
Share based payments – value of employee services	–	–	–	–	132	132	–	132
Options and warrants exercised	–	39	–	–	–	39	–	39
Shares issued on purchase of minority interest	1	–	70	–	–	71	3	74
Balance at 30 June 2007	935	21,472	50,474	271	(14,775)	58,377	11	58,388
Exchange differences arising on translation of overseas subsidiaries	–	–	–	2,087	–	2,087	–	2,087
Loss for the period	–	–	–	–	(932)	(932)	–	(932)
Total recognised expense for the period	–	–	–	2,087	(932)	1,155	–	1,155
Share based payments – value of employee services	–	–	–	–	124	124	–	124
Balance at 31 December 2007	935	21,472	50,474	2,358	(15,583)	59,656	11	59,667

The notes on pages 12 to 18 form an integral part of this condensed consolidated half-yearly financial information.

Unaudited Consolidated Cash Flow Statement

	Six months ended 31 December 2007 £'000	Six months ended 31 December 2006 £'000	Year ended 30 June 2007 £'000
Cash flows from operating activities			
Loss before tax	(910)	(2,544)	(3,980)
Interest receivable	(32)	(68)	(95)
Interest payable	79	46	129
Share based payment – value of employee services	124	108	240
Depreciation	261	203	442
Amortisation of intangible assets	633	384	975
Impairment charges	–	–	28
Profit on disposal of property, plant & equipment	(2)	–	(9)
Profit on sale of product rights	(40)	(1,295)	(1,237)
(Decrease)/increase in provision for doubtful debts	(709)	–	749
Exchange (gain)/loss	(2,105)	(152)	611
	(2,701)	(3,317)	(2,147)
Changes in working capital (excluding effects of acquisitions)			
(Increase)/decrease in inventories	(831)	(370)	484
Decrease/(increase) in receivables	1,784	1,657	(358)
Increase/(decrease) in payables	71	(315)	651
(Decrease)/increase in deferred income	(536)	(21)	185
Net cash outflow from operations	(2,213)	(2,366)	(1,185)
Interest paid	(51)	(40)	(68)
Interest paid on finance leases	(28)	(6)	(43)
Income tax paid	(50)	(107)	(303)
Net cash used in operating activities	(2,342)	(2,519)	(1,599)
Investing activities			
Interest received	32	88	115
Purchases of property, plant and equipment	(52)	(292)	(444)
Proceeds from sale of property, plant and equipment	10	36	74
Purchase of intangible assets	(2,154)	(15)	(952)
Proceeds from sale of product rights	–	1,383	1,315
Acquisition of subsidiary undertaking, net of cash acquired	–	(612)	(612)
Net cash (used in)/from investing activities	(2,164)	588	(504)

The notes on pages 12 to 18 form an integral part of this condensed consolidated half-yearly financial information.

Unaudited Consolidated Cash Flow Statement (continued)

	Six months ended 31 December 2007 £'000	Six months ended 31 December 2006 £'000	Year ended 30 June 2007 £'000
Financing activities			
Repayments of obligations under finance leases	(110)	(44)	(103)
Proceeds from issue of new loans	1,654	54	506
Repayments of borrowings	(288)	–	(184)
Proceeds from issue of share capital	–	47	88
Net cash from financing activities	1,256	57	307
Net decrease in cash and cash equivalents	(3,250)	(1,874)	(1,796)
Cash and cash equivalents at 1 July	2,604	4,470	4,470
Effect of foreign exchange rate changes	211	(51)	(70)
Cash and cash equivalents at end of period/year	(435)	2,545	2,604
Cash and cash equivalents includes:			
Cash and cash equivalents	411	2,545	2,791
Bank overdrafts	(846)	–	(187)
Cash and cash equivalents	(435)	2,545	2,604

The notes on pages 12 to 18 form an integral part of this condensed consolidated half-yearly financial information.

Notes to the Unaudited Condensed Consolidated Half-Yearly Financial Information

1. General Information

These interim financial results do not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985. Statutory accounts for the year ended 30 June 2007 were approved by the board of directors on 7 November 2007 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 237 of the Companies Act 1985.

This condensed consolidated half-yearly financial information was approved for issue on 26 February 2008.

2. Basis of preparation

This condensed consolidated half-yearly financial information for the half-year ended 31 December 2007 has been prepared in accordance with the Disclosures and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim financial reporting' as adopted by the European Union. The half-yearly condensed consolidated financial report should be read in conjunction with the annual financial statements for the year ended 30 June 2007, which have been prepared in accordance with IFRSs as adopted by the European Union.

3. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 June 2007, as described in those annual financial statements, and the following new accounting standards and interpretations.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year ending 30 June 2008.

IFRIC 10, 'Interims and impairment'

IFRIC 11, 'IFRS 2 Group and treasury share transactions'

IFRS 7, 'Financial instruments: Disclosures'

IAS 1, 'Amendments to capital disclosures'

As this interim report contains only condensed financial statements, and as there are no material financial instrument related transactions in the period, full IFRS 7 disclosures are not required at this stage. The full IFRS 7 disclosures, including the sensitivity analysis to market risk and capital disclosures required by the amendment of IAS 1, will be given in the annual financial statements.

None of these has had a material impact on the current or prior periods.

Principal risks and uncertainties

There are a number of risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected results. The principal risks remain those set out on page 29 of the Group's Annual Report for 2007, a copy of which is available on the Group's website www.sinclairpharma.com.

During the last four years H2 revenues have been consistently greater than H1 and with a record order book we are confident that the same will apply this year.

4. Segment information

The Group is organised into two operating segments; development, registration and commercialisation of products through marketing partners and direct sales and marketing of pharmaceutical products. These segments are on the basis on which the group reports its primary segment information.

Business Segments	Six months ended 31 December 2007			Six months ended 31 December 2006		
	Marketing partners	Direct	Total	Marketing partners	Direct	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	3,745	6,689	10,434	2,691	6,418	9,109
Segmental operating loss before exceptional items	(1,473)	(1,032)	(2,505)	(2,614)	(329)	(2,943)
Exceptional items			1,642			377
Operating loss			(863)			(2,566)

Business Segments	Year ended 30 June 2007		
	Marketing partners	Direct	Total
	£'000	£'000	£'000
Revenue	9,074	14,104	23,178
Segmental operating loss before exceptional items	(2,518)	39	(2,479)
Exceptional items			(1,467)
Operating loss			(3,946)

Revenue analysis – an analysis of revenue by category is set out in the table below:

	Six months ended 31 December 2007 £'000	Six months ended 31 December 2006 £'000	Year ended 30 June 2007 £'000
Product revenue	8,597	8,292	20,091
Royalties	312	376	747
Licence fees and milestones	1,525	441	2,340
	10,434	9,109	23,178

Notes to the Unaudited Condensed Consolidated Half-Yearly Financial Information (continued)

5. Exceptional Items

Exceptional items represent significant items of income and expense which due to their nature or the expected infrequency of the events giving rise to them, are presented separately on the face of the income statement to give a better understanding to shareholders of the elements of financial performance in the period, so as to facilitate comparison with prior periods and to better assess trends in financial performance.

	Six months ended 31 December 2007 £'000	Six months ended 31 December 2006 £'000	Year ended 30 June 2007 £'000
Goodwill adjustment	–	(147)	–
Provision for doubtful debt	–	(771)	(736)
Income from sale of product rights	–	1,295	1,237
Listing costs	–	–	(885)
Aborted acquisition costs	(321)	–	–
Foreign exchange gains/(losses)	1,963	–	(1,083)
	1,642	377	(1,467)

Exceptional acquisition related costs were incurred in preparing for a major acquisition in July 2007. Sinclair decided that the actual purchase price was not justified which resulted in a charge of £321,000 to cover professional fees.

Foreign exchange gains and losses include all trading gains and losses for the period and include a gain of £1,963,000 (30 June 2007: loss of £823,000) in the translation of an intra-group loan balance. This is a non cash item.

6. Loss per share

The basic loss earnings per share has been calculated by dividing the loss for the period/year, by the weighted average number of shares in existence for the period/year.

Shares held by the Employee's Share Trust, including shares over which options have been granted to Directors and staff, have been excluded from the weighted average number of shares for the purposes of calculation of the loss per share.

The loss and weighted average number of shares for the purpose of calculating the diluted loss per share are identical to those used for the loss per share at 31 December 2007, 31 December 2006 and 30 June 2007, as the exercise of share options would have the effect of reducing the loss per share and is therefore not dilutive.

	Six months ended 31 December 2007	Six months ended 31 December 2006	Year ended 30 June 2007
Basic and diluted EPS			
Net loss before exceptional items (£000)	(2,574)	(3,093)	(2,739)
Exceptional items (£000)	1,642	377	(1,467)
Net loss (£000)	(932)	(2,716)	(4,206)
Weighted average number of shares	87,047,526	86,967,261	86,915,094
Loss per share before exceptional items	(3.0p)	(3.5p)	(4.8p)
Exceptional items	1.9p	0.4p	–
Basic and diluted loss per share	(1.1p)	(3.1p)	(4.8p)

Notes to the Unaudited Condensed Consolidated Half-Yearly Financial Information (continued)

7. Goodwill

	31 December	31 December	30 June
	2007	2006	2007
	£'000	£'000	£'000
Cost			
At 1 July	45,929	46,203	46,203
Additions through business combinations	–	368	368
Purchase of minority interest in Sinclair Pharma AB	–	–	74
Goodwill adjustment	–	(147)	–
Exchange adjustments	2,601	(748)	(716)
At period end	48,530	45,676	45,929
Accumulated amortisation and impairment			
At 1 July	2,511	2,511	2,511
At period end	2,511	2,511	2,511
Net book value at period end	46,019	43,165	43,418

8. Intangible Assets

	31 December	31 December	30 June
	2007	2006	2007
	£'000	£'000	£'000
Cost			
At 1 July	11,511	9,826	9,826
Additions	3,274	15	1,908
Disposals	(423)	–	(19)
Exchange adjustments	1,133	(91)	(204)
At period end	15,495	9,750	11,511
Amortisation and impairment			
At 1 July	1,469	490	490
Charge for the year	633	384	975
Disposals	(22)	–	(19)
Impairment charge	–	–	28
Exchange adjustments	28	(6)	(5)
At period end	2,108	868	1,469
Net book value at period end	13,387	8,882	10,042

Additions in the current period relate to the products acquired from Syrio Pharma SpA and Laboratories Derma Omnium. The disposals realised no cash proceeds as they were made in part settlement of the outstanding liability in respect of prior period additions.

9. Trade and other receivables

	31 December	31 December	30 June
	2007	2006	2007
	£'000	£'000	£'000
Trade receivables	5,657	4,887	7,433
Less provision for impairment of trade receivables	(102)	–	(809)
Trade receivables-net	5,555	4,887	6,624
Other receivables	638	440	400
Prepayments and accrued income	789	872	776
	6,982	6,199	7,800

10. Trade and other payables

	31 December	31 December	30 June
	2007	2006	2007
	£'000	£'000	£'000
Trade payables	4,703	3,306	5,258
Other tax and social security	550	532	506
Other payables	2,054	427	331
Accruals	1,655	991	1,039
	8,962	5,256	7,134

Notes to the Unaudited Condensed Consolidated Half-Yearly Financial Information (continued)

11. Borrowings

	31 December	31 December	30 June
	2007	2006	2007
	£'000	£'000	£'000
Bank loans	1,496	156	507
Obligations under finance leases	143	263	202
Non-current borrowings	1,639	419	709
Obligations under finance leases	230	192	214
Bank loans	605	249	166
Bank overdrafts	846	–	187
Current borrowings	1,681	441	567
Total borrowings	3,320	860	1,276

Borrowings included above are repayable as follows:

On demand or within one year	1,681	441	567
Over one and under two years	644	225	215
Over two and under five years	989	194	494
Beyond five years, by installments	6	–	–
Total borrowings	3,320	860	1,276

12. Related party transactions

During the period ended 31 December 2007, the Group was charged £176,738 (in the period to 31 December 2006, £140,837 and in the year ended 30 June 2007 £362,935) by Axcan Pharma (Ireland) Ltd for the cost of Photofrin® sold in the period less reimbursable costs. At 31 December 2007 the amount owing to Axcan was £182,029 (31 December 2006 £61,496 and at 30 June 2007 £128,632).

Dr MJ Flynn, Chief Executive Officer is a remunerated Non Executive Director of Axcan Pharma (Ireland) Ltd.

Statement of Directors' Responsibilities

The directors confirm that this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8.

The directors of Sinclair Pharma Plc are listed in the Group's Annual Report for the year ended 30 June 2007, with the exception of the following changes in the period: Mr J-C Tschudin was appointed on 8 November 2007 and Mr AJ Sinclair retired on 3 December 2007.

By order of the Board

Dr MJ Flynn

Chief Executive Officer

JAP Randall

Chief Financial Officer

26 February 2008

Independent Review Report to Sinclair Pharma plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2007, which comprises the income statement, balance sheet, statement of changes in equity, cash flow statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2007 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP

Chartered Accountants
Cambridge
26 February 2008

Notes:

- (a) The maintenance and integrity of the Sinclair Pharma plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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London
EC3A 7QR

Registrars

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Company Information

Sinclair Pharma plc reregistered as a public limited company on 11 December 2003 under English law. Its shares are listed on the Official List of the London Stock Exchange and on Euronext Paris. Sinclair Pharma plc is incorporated and domiciled in England and its registered number is 03816616.



Sinclair Pharma plc

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